

REBUTTAL TESTIMONY OF
THOMAS F. FARRELL, II
ON BEHALF OF
DOMINION ENERGY, INC.
DOCKET NO. 2017-370-E

Q. PLEASE STATE YOUR FULL NAME, BUSINESS ADDRESS, AND OCCUPATION.

A. My name is Thomas F. Farrell, II, and my business address is 120 Tredegar Street, Richmond, Virginia 23219. I am Chairman, President, and Chief Executive Officer of Dominion Energy, Inc. (“Dominion Energy” or the “Company”).

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS CASE?

A. Yes, I filed direct testimony on behalf of Dominion Energy in Docket No. 2017-370-E on August 2, 2018.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my testimony is to respond to the recommendations of the South Carolina Office of Regulatory Staff’s (“ORS”) and other intervenors in this docket. I will respond generally to ORS’s alternative rate plan (the “ORS Plan”) and rate recommendations offered by other intervenors as conditions of the business combination between Dominion Energy and South Carolina Electric & Gas Company’s (“SCE&G”) parent, SCANA Corporation (“SCANA”).

1 **Q. WHAT OTHER WITNESSES ARE PRESENTING REBUTTAL**
2 **TESTIMONY ON BEHALF OF DOMINION ENERGY?**

3 A. The other witnesses presenting rebuttal testimony on behalf of Dominion
4 Energy are Mr. Robert M. Blue, Mr. James R. Chapman, Mr. Prabir Purohit, and
5 Mr. James I. Warren.

6 **Q. CAN YOU SUMMARIZE YOUR REBUTTAL TESTIMONY?**

7 A. Yes. I continue to urge the Commission to approve the business combination
8 with SCANA with no material changes to its terms, including the terms of the jointly
9 proposed customer benefit and cost recovery plan for new nuclear development
10 costs associated with the V.C. Summer Units 2 & 3 Project (the “NND Project” and
11 “Customer Benefits Plan” or “Plan”), if the Commission determines that formal
12 approval of the combination is appropriate under S.C. Code Ann. § 58-27-1300 or
13 any other applicable law. Alternatively, if the Commission determines that formal
14 approval of the combination is not required, Dominion Energy is asking the
15 Commission to find that: (i) the combination is in the public interest; or (ii) there is
16 an absence of harm to South Carolina ratepayers as a result of the combination.

17 **Q. BEFORE COMMENTING ON ORS’S PLAN, CAN YOU ADDRESS THE**
18 **OBJECTIVES OF THE PROPOSED BUSINESS COMBINATION AND**
19 **ASSOCIATED CUSTOMER BENEFITS PLAN?**

20 A. Yes. As I stated in my direct testimony, the proposed business combination
21 between Dominion Energy and SCANA is more than a business transaction. It is
22 about establishing a path forward for SCE&G and its customers, as well as the State

1 of South Carolina. We continue to believe that the proposed combination and the
2 associated Customer Benefits Plan present the best option to achieve the important
3 goals of attempting to ease the burden of the costs of the NND Project, to the highest
4 reasonable extent, and ensuring the future financial viability of SCE&G and its
5 ability to provide reliable and cost-effective service to its customers. Our Plan
6 offers immediate and continuing relief to customers and provides greater certainty
7 than any alternatives we have seen to date.

8 **Q. DO YOU BELIEVE THAT ORS'S PLAN AS PROPOSED MEETS THESE**
9 **OBJECTIVES?**

10 A. No, I do not. While ORS does not oppose the business combination, its
11 associated rate recovery plan materially alters the economic value of the Customer
12 Benefits Plan in a manner that we cannot accept. I believe that any plan to address
13 the NND Project cost recovery must strike a fair and appropriate balance between
14 the need to provide significant rate relief for customers and the need to maintain the
15 viability of the utility. In my view, ORS's Plan fails to achieve this balance and
16 creates a significant degree of uncertainty going forward. If adopted, ORS's Plan
17 would undermine SCE&G's continued ability to operate and meet its public service
18 obligations in a cost-effective manner. The same analysis applies to the
19 recommendations made by other intervenors in this proceeding supporting the ORS
20 Plan or proposing similar unreasonable rate alternatives.

21 **Q. ARE YOU OFFERING TESTIMONY ON THE DETAILS OF ORS'S PLAN?**

22 A. Not specifically. Dominion Energy Witnesses Chapman and Purohit will

1 address various elements of the ORS Plan. I am here to offer my overall view of
2 the ORS Plan and reaffirm Dominion Energy's commitments in connection with the
3 combination and the Customer Benefits Plan, which make it demonstrably in the
4 public interest.

5 **Q. TO BE CLEAR, IF THE ORS'S "OPTIMAL PLAN" WERE TO BE**
6 **ADOPTED BY THE COMMISSION, WOULD DOMINION ENERGY**
7 **PROCEED TO CLOSE THE MERGER TRANSACTION WITH SCANA?**

8 A. No, it would not.

9 **Q. WHY SHOULD THE COMMISSION ADOPT THE CUSTOMER**
10 **BENEFITS PLAN?**

11 A. The Customer Benefits Plan, as a whole, offers direct and indirect benefits
12 that reflect a multi-billion dollar investment in SCE&G and South Carolina,
13 including payments to customers and avoided future costs. This includes an up-
14 front, one-time rate credit to SCE&G's customers totaling \$1.3 billion – or
15 approximately \$1,000 per residential electric customer on average. In addition to
16 this immediate rate relief, our Plan includes long-term rate relief and stability for
17 customers. Specifically, the Customer Benefits Plan provides for a bill reduction
18 that is estimated to total approximately 7% relative to May 2017 levels for a typical
19 residential bill. After the merger, SCE&G would exclude from rate recovery in total
20 approximately \$1.4 billion in NND Project costs and approximately \$361 in
21 regulatory assets related to the NND Project. Dominion Energy will absorb the
22 \$180 million investment in the Columbia Energy Center, which serves as partial

1 replacement capacity for the NND Project. And to further ensure rate stability, we
2 agree to freeze retail electric base rates until at least January 1, 2021. Importantly,
3 the value of this Plan cannot be provided by SCANA on its own.

4 **Q. CAN YOU EXPAND ON THE OTHER MERGER COMMITMENTS THAT**
5 **ACCOMPANY THE CUSTOMER BENEFITS PLAN?**

6 A. Yes. These commitments are presented in the Joint Petition and my direct
7 testimony. But I think in considering the Joint Application it is important to
8 underscore the many other commitments that Dominion Energy has made in
9 connection with the proposed combination that will benefit SCE&G and its
10 customers. We bring proven experience operating public utilities, serving over six
11 million customers in regulated and retail markets. And we bring a leadership team
12 committed to safe, reliable, cost-effective and environmentally responsible service
13 to customers. Importantly, we are also committed to SCE&G's employees and its
14 continued South Carolina presence. The Company's headquarters will remain in
15 Cayce, South Carolina, and the workforce will be financially protected until at least
16 December 31, 2019. We are also committed to increasing SCE&G's historic
17 charitable giving levels at shareholders expense to support the communities it
18 serves.

19 In sum, I believe that the combination and the merger-related Customer
20 Benefits Plan are in the public interest and will benefit SCE&G, its customers, and
21 the State of South Carolina. The proposed combination, and the proposed multi-
22 billion dollar investment by Dominion Energy in SCE&G and South Carolina, will

1 provide significant short-term and long-term benefits for SCE&G and its customers,
2 employees and shareholders. It will also provide benefits to SCE&G's service
3 territory and the state as a whole by ensuring the utility remains strong and
4 financially viable. Further, the combination will continue and support the state's
5 economic development efforts and its position as an excellent place to do business.
6 As I stated in my direct testimony, and reaffirm here, Dominion Energy has the
7 financial strength and will to make it happen, and to ensure there is a strong energy
8 partner ready to continue serving South Carolina.

9 **Q. SHORT OF THE ORS PLAN, HAVING REVIEWED THE CONCERNS**
10 **RAISED BY ORS AND OTHER INTERVENORS CONCERNING THE**
11 **NEED FOR GREATER LONG-TERM RATE RELIEF FROM THE NND**
12 **PROJECT COSTS, WOULD DOMINION ENERGY CONSIDER**
13 **ALTERNATIVES TO THE CUSTOMER BENEFITS PLAN ELEMENTS?**

14 A. For the reasons I have stated, and those addressed by other Company
15 witnesses, we continue to believe that the Customer Benefits Plan is the superior
16 option for customers compared to the alternatives that have been proposed to
17 date. However, as I have consistently said, Dominion Energy would be open to
18 considering alternative benefits plan components so long as we believe they are in
19 the interest of SCE&G's customers and the public interest and, importantly, they do
20 not change the fundamental economic value of the current proposal to Dominion
21 Energy and its shareholders, which is a condition of the closing of the merger. The
22 possibility certainly exists, within these parameters, to re-orient resources for

1 customer relief associated with the Customer Benefits Plan in order to focus more
2 exclusively on permanent rate relief as opposed to up-front refunds, as some parties
3 have suggested. The Company looks forward to continuing to work with
4 stakeholders to this proceeding to achieve a solution to the NND dilemma which
5 allows the proposed business combination to move forward and which is in the best
6 interests of SCE&G's customers and the state of South Carolina.

7 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

8 A. Yes, it does.